

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Harman Analyst: LuAnna Hass Bill Number: AB 483

Related Bills: See Prior Analysis Telephone: 845-7478 Amended Date: May 16, 2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Research Expenses Credit/16% of Qualified Expenses

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

X AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 21, 2001.

X FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 21, 2001, STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would increase the credit for qualified research expenses from 15% to 16%.

SUMMARY OF AMENDMENT

The May 16, 2001, amendments would decrease the proposed percentage change in the credit for qualified research expenses from 20% to 16%. Except for a new revenue estimate, the department's analysis of the bill as introduced February 21, 2001, still applies. The following technical considerations still apply and are included below for convenience.

POSITION

Pending.

Summary of Suggested Amendments

Amendments are provided to address the department's technical concern.

TECHNICAL CONSIDERATIONS

Amendments are provided to correct the references from "income" year to "taxable" year.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Legislative Director

Date

Jana Howard for BP

06/04/01

ECONOMIC IMPACT

Revenue Estimate

This bill would result in revenue losses as follows:

Estimated Revenue Impact of AB 483 As Amended May 16, 2001 Effective for taxable years beginning on or after 1/1/2001 Enacted after 6/30/2001 \$ Millions			
2001-02	2002-03	2003-04	2004-05
-\$4	-\$7	-\$9	-\$10

This estimate does not account for changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

The above revenue impact was estimated as follows. The research credits generated under current and proposed laws are simulated for each corporation in a sample of the 50 corporations with the largest research and development expenses. These simulations take into account specific micro-economic data for each corporation such as gross receipts, wage, property, and sales factors, net income, historical research expenditures, and detailed tax and financial data. The results of these simulations are weighted statistically to the population level. The revenue losses are estimated as the differences between the taxes simulated under current and proposed laws.

The Department of Finance forecast of corporate profits is used to extrapolate the estimates to future years.

The revenue impact for the Personal Income Tax Law is assumed to be equal to 4.8 percent of the Bank and Corporation Tax Law impact and is added to the corporate impact.

LEGISLATIVE STAFF CONTACT

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 483
As Amended May 16, 2001

AMENDMENT 1

On page 4, line 18, strike "income" and insert:

taxable

AMENDMENT 2

On page 4, line 22, strike "income" and insert:

taxable

AMENDMENT 3

On page 4, line 28, strike "income" and insert:

taxable

AMENDMENT 4

On page 4, line 35, strike "income" and insert:

taxable

AMENDMENT 5

On page 5, line 1, strike "income" and insert:

taxable

AMENDMENT 6

On page 6, line 36, strike "income" and insert:

taxable

AMENDMENT 7

On page 7, line 1, strike "income" and insert:

taxable

AMENDMENT 8

On page 7, line 12, strike "income" and insert:

taxable

AMENDMENT 9

On page 7, line 24, strike "income" and insert:

taxable

AMENDMENT 10

On page 7, line 25, strike "income" and insert:

taxable

AMENDMENT 11

On page 7, line 26, strike "income" and insert:

taxable

AMENDMENT 12

On page 8, line 2, strike "income" and insert:

taxable

AMENDMENT 13

On page 8, line 4, strike "income" and insert:

taxable

AMENDMENT 14

On page 8, line 7, strike "income" and insert:

taxable